

P&P REQUIREMENTS Mortgagee Letter 2007-03 FREQUENTLY ASKED QUESTIONS

Unless otherwise indicated, all questions and answers are dated November 14, 2007.

General

- G1. Mortgagee Letter 2002-10 was provided in hard copy. When will the printed version of Mortgagee Letter 2007-03 be available?
A: The Department now provides copies of all recent mortgagee letters [on-line](#).
- G2. What is the effective date of Mortgagee Letter 2007-03?
A: Mortgagee Letter became effective April 30, 2007.
- G3. Mortgagee Letter 2007-03's cover sheet has a reference on page 3, 1st paragraph which addresses the timeframe for M&M's to respond to mail inquiries and references section 5.4.1.1 of the M&M contract. Is this section reference correct?
A: No it is not correct. The correct reference should be 5.1.4.4.
- G4. If work is completed prior to the lender receiving the over-allowable approval is that work reimbursable?
A: Yes. We are working on the presumption that the lender identified an item that needed immediate resolution and immediately requested the appropriate permission for the over-allowable. If the mortgagee then proceeded to take care of the emergency item before the M&M returned the approval, the cost should be reimbursable.
- G5. Please clarify the 25-35 day timeframe requirement for completing inspections and what inspections will HUD reimburse on a claim. **(March 21, 2007)**
A. The regulatory requirement for inspections of properties that have been found to be vacant or abandoned is to inspect monthly (see 24 CFR 203.377). When establishing how the Department would measure compliance with this requirement, HUD staff recognized that it might not be feasible for a mortgagee to schedule and complete all inspections on an exact 30-day basis. Therefore, HUD provided a five day window before and after the 30-day mark from the last completed inspection and advised that it would consider the mortgagee to be in compliance if the completed inspections fell within that timeframe.

However if a mortgagee fails to complete the required inspection within the required timeframe, HUD will still reimburse the mortgagee for the inspection (with a limited exception). If the inspection was completed earlier than 25 days since the last inspection, the mortgagee will be entitled to reimbursement subject to the "15 inspections per 12 months" restriction.

If it has been more than 35 days since the last inspection, the mortgagee will be at risk for a failure to preserve and protect the property (mortgagee neglect). All property damage will be examined very closely to determine if such damage may have been prevented had the mortgagee inspected timely and taken all appropriate action to ensure the property was properly secured. (March 21, 2007)

Boarding

- B1. Page 25 (Attachment 4-Boarding variances) specifically states to install plywood boarding in pre-approved zip codes. Is it correct that an "over allowable" estimate is not needed to board properties as required by local code?
- A: If a lender is boarding a property in accordance with local code, a lender's request to exceed the boarding cost limit will not be required as long as the cost of the boarding does not exceed \$550.00, pre or post sale.

Debris Removal

- D1. The debris allowable for tire removal is for up to six tires. Is that up to six at \$15 flat or \$15 each?
- A: The allowable amount is \$15.00 per tire.
- D2. Under debris removal it specifies a licensed pest control requirement but the allowable for some states is somewhat low (for e.g. \$20 in the State of Tennessee).
- A: If a service cannot be provided for the scheduled fee amount, then an over-allowable request should be submitted to the M&M contractor for approval. But the lender must show that the costs are usual and customary for the area.
- D3. With reference to page 35, which describes those hazards that should be removed the mortgagee letter refers to "large quantities of paint or paint products". Shouldn't lenders be more specific and actually explain in the over-allowable requests the actual amount of paint that remains?
- A. Yes. When referring to hazardous materials only, by large quantities of paint or paint products, we mean 5 gallons or more.
- D4. If on a property's exterior, the lender finds items such as bicycles, children's toys, grills, tables, etc., how are these types of items handled?
- A: These types of items should be treated as personal property.
- D5. Please clarify what the Department expects the mortgagee to provide in support of costs incurred and actions taken related to debris removal and "dump fee receipts." (June 11, 2007)
- A. The Department is providing the following clarification regarding "dump fee receipts." Please note that HUD's allowable fee for debris removal includes: gas to

the property, labor to load the debris, gas to deliver the debris to the disposition site and any fee the disposal site might charge.

HUD/FHA acknowledges that it is a common business practice of many property preservation contractors to wait until they have collected debris from several properties before taking the debris to an appropriate facility for disposal and that not all disposal facilities charge a fee or provide printed receipts. Therefore, where such receipts are not available, mortgagees will not be denied reimbursement for debris removal where it cannot provide an individual receipt showing the fee paid to a disposal facility.

However, the Department must be able to confirm the type and amount of debris that was removed and that all debris was disposed of properly. Therefore, mortgagees must maintain a complete audit trail which will include: the name, address, and phone number of each company providing the debris removal service, contact information for the lender, the FHA Case number and address of the property, the date of the disposal, the number of cubic yards of debris disposed and a listing of any items that are not ordinary household debris which would include health and safety items, tires, appliances, cars, trucks, boats, batteries, etc. The documentation must also provide the name, address and telephone number of all disposal facilities used.

If a dumpster was brought to the property, the supporting information must identify the date the dumpster was delivered to the property, the date it was removed, and the name, address and telephone number of the company supplying the dumpster. (June 11, 2007)

Evictions

E1. Are the costs of evictions included in the maximum allowable?

A: No. The cost of an eviction is not included in the maximum allowable cost for P&P services.

Inspections

I1. Does the lender have 5 days to secure a property once the lender learns that the property is vacant, but will have only 48 hours to secure if damages are reported?

A: Yes, for post-foreclosure cases, properties must be secured within 5 calendar days upon vacancy determination. The lender must take action to remediate any imminent source of property damage or health and safety hazard within 48 hours of discovery.

I2. If we have chronically delinquent borrowers that we may not have had a phone conversation with but know they are in the home just as they have been for a number of years are inspections every 25-35 days still required?

- A: Yes. If there is no documented telephone contact with the mortgagor for any period of 25-35 days from the last contact or the last Occupancy Inspection, the Mortgagee shall conduct another Occupancy Inspection.
- I3. There are a number of borrowers who will not provide phone numbers, but mail is not coming back indicating that someone is still in the property. Does the lender still have to conduct an inspection?
- A: Yes. Please refer to the previous question.
- I4. Would an e-mail communication count as a contact?
- A: No. The Department considers contact to be a phone call or letter. However, it is ultimately the lenders responsibility to determine the occupancy status of a property and to preserve and protect, so it is at the lender's risk to not confirm occupancy.
- I5. When conducting routine occupancy inspections, the property is found vacant. How may the mortgagee identify this inspection for reimbursement purposes?
- A: Pg. 10, Item II, paragraph 2, "In some instances the initial inspection will take place on the same day as the occupancy inspection. In these cases, the mortgagee may only claim the cost of the initial inspection. The initial inspection report establishes the condition in which the mortgagee first found the property vacant.
- I6. If the lender has contact with the defaulted borrower and they have explained why the house is vacant, would the lender still be responsible for inspecting the property?
- A: Yes. On-going vacant property inspections must be completed every 25-35 days. An inspection affords the lender an opportunity to learn of any security breeches, vandalism or damage. If any of these items go undetected, the property could further deteriorate, thereby increasing its potential cost to correct the damages.
- I7. Are Joint Pre-Conveyance Inspections required?
- A: No. At this time they are not required by the current M&M contract. However, the parties that have conducted such joint inspections have found them mutually beneficial. Therefore, HUD strongly recommends that whenever possible the M&M and the lender (through its property preservation contractor) coordinate their efforts to conduct a joint pre-conveyance inspection.

Lock Change/Securing

- L1. Could HUD please clarify the new requirement related to keys/key-codes?
- A: Due to the widespread use of the internet the Department does not want key codes posted on-line. Therefore, lenders are required to document key-codes to existing/replacement locks in the Mortgagee's Comments section of Form HUD-27011 which should be provided to the M&M contractor.
- L2. Is there a designated person at the M&M where key codes should be sent?

A: All Management and Marketing Contractors must provide a designated point-of-contact who will receive the key-code information.

L3. Lock Change/Securing Service on Page 18 lists the "one unit allowable" to secure (e.g. Illinois) at \$85.00. There is no possible way to secure more than one lock for \$85.00. Is it HUD's intention to have us lock one door and bid to add deadbolts and lock other doors due to being over allowable?

A: No. That was not HUD's intention. In the development of the cost schedule for P&P services, we worked closely with each of HUD's Homeownership Centers and with the industry to ensure that HUD's schedule was in line with the usual and customary expenses based on location. For example, the allowable amount for changing locks for one unit in Illinois is \$85.00. However, the maximum allowable lock-change/securing for Illinois is \$390.00. As long as the lender remains within the maximum allowable to complete the securing, there would be no need for an over-allowable request.

L4. With respect to page 16 under "Swimming Pools", the maximum allowance to secure an above ground pool is provided, but there are still no specific regulations regarding securing.

A: Above ground pools must be removed unless additional improvements have been made, i.e., a deck enclosure, in which case, contact must be made to the M&M for guidance.

L5. When is securing or replacing a shed door appropriate?

A: If a property has a shed or outbuilding that has or once had a door, the structure must be secured either by securing the door or by replacing the door with plywood secured by a hasp and padlock. Personal property or debris, exclusive of health and safety hazards should be left inside the secured building.

If, by design, the outbuilding never had a door, the contents should be removed as exterior debris. No boarding or securing is necessary. If the structure is so dilapidated as to constitute a hazard or detract from the property value, it should be removed as exterior debris along with its contents.

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Mortgagee Responsibilities

M1. On page 3 under "Damage due to Mold", please clarify the following statement; "... even if the mold was not caused by a surchargeable condition, the failure by the mortgagor to take reasonable action to remediate the cause of the mold and

complete any other required preservation and protection actions” may be considered as mortgagee neglect. Does that statement imply that the mortgagee shall be required to start submitting bids to install humidifiers, begin treating, cleaning and remediation of the mold?

- A: No. The requirement is to remediate the cause of the mold, i.e. repairing a leak (stopping the water infiltration) and removal of any damp/soaked carpet, drywall, etc. and replacing/repairing.

Request To Exceed Cost Limits (over-allowable)

O1. Is it acceptable to send an electronic over-allowable request to an M&M Contractor?

- A: Yes. Mortgagees may mail, fax or e-mail their requests to the M&M Contractor’s office. However if e-mailed, pre-arrangements must be made with the M&M Contractor as to who (what specific e-mail address) the requests must be sent. Receipt of any faxed requests must be confirmed with a telephone call from the lender to the M&M.

Photographs

P1. When can a lender claim the amount of \$30.00 for photographs?

- A: Beginning May 30, 2007, 30 days from the effective date of Mortgagee Letter 2007-03.

P2. How does the M&M know what photos go with what property?

- A: All photos must be dated and documented using the FHA-case number and property address.

P3. If photographs cannot be produced at the time of the claim review is the expense denied?

- A: If photographs cannot be produced at the time of the claim review, the following will be disallowed:
- a. the reimbursement of photographs,
 - b. all unsupported expenses
 - c. all expenses claimed for personal property/debris removal (including evictions)
 - d. any cost within the allowable limits where there is insufficient evidence that the work was actually completed.

P4. Since photographs of work is completed on some properties prior to the effective date of the new photograph allowance, at what rate is the claim for photographs paid?

- A: As of May 30, 2007, all work completed prior to the effective date where the claim will be submitted after May 30, 2007 can be billed under either the new requirement or the old, at the discretion of the servicer.

Mortgagee Appeal process

A1. With reference to the Mortgagee Appeal Process section, how much time does the GTR have to respond?

A: The only circumstances that would result in the GTR having to respond to a Mortgagee's request is when the M&M has failed to respond to the lender within 5 business days or the Mortgagee disagrees with the M&M Contractor's decision to deny the request. In such instances the GTR has 5 business days of receipt of the request from the M&M to respond.

Variations (Local) from General Requirements

V1. Some variations published in Mortgagee Letter 2002-10 were not included in Mortgagee Letter 2007-03 do these requirements still remain?

A: No. In response to industry requests, the Department has standardized as much of the preservation and protection requirements in Mortgagee Letter 2007-03, as possible. Therefore unless HUD has provided a variance in Mortgagee Letter 2007-03, the requirements will be the same nationwide. However, with respect to any new local code it would be helpful to notify the M&M and the GTR.

Winterization

W1. With reference to the requirement for winterizing toilets, are the lenders going to be responsible to clean every toilet in the house prior to winterization?

A: As a health and safety concern, all toilets should be cleaned prior to conveyance, including properties requiring winterization.

W2. On page 48, under local variations, where it states, "heat will remain in shut down mode. Utilities are to remain off unless for the use of a sump pump." Do you take that to mean that wet winterizations are to remain in shut down mode also?

A: Yes, unless it is a requirement to leave the heat on based on location and severity of the winter.

Yard Maintenance

Y1. With reference to page 42 in the local variations for grass cuts, what happened to Florida? Is the grass not to be cut year-round now?

A: The Department expects lenders to exercise prudence in preserving and protecting FHA-insured mortgages, to include cutting the grass. Therefore, if the grass for a property needs to be cut it is the lenders responsibility to do so.

Y2. On the Yard Maintenance cost schedule, the amount for re-cut over 10,000 sq ft for Arkansas is listed as \$60, is that correct?

A: No. The correct amount for a re-cut over 10,001 to 15,000 sq ft is \$85.

